



DEPARTMENT OF THE ARMY
US ARMY CONTRACTING AGENCY SOUTHERN REGION HEADQUARTERS
1301 ANDERSON WAY SW.
BUILDING 130
FT McPHERSON, GA 30330-1096

REPLY TO
ATTENTION OF

SFCA-SR

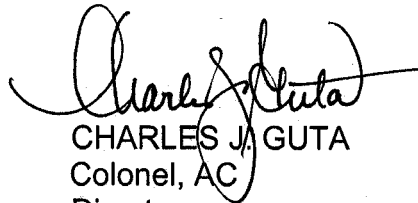
5 March 2003

MEMORANDUM FOR Army Contracting Agency Southern Region (ACASR)
Installations

SUBJECT: Southern Region Implementation Memorandum (SRIM) 03-17: Contractor
Costs – Donation of Employee Unused Leave

1. Reference memorandum, DPAP/P, 12 December 2002, SAB.
2. The attached memorandum from the Director of Defense Procurement and Acquisition Policy states that previous guidance affording employees the opportunity to donate leave would not constitute taxable income for the employee prior to January 1, 2003. This policy was not extended and expired on December 31, 2002.

Encl
as



CHARLES J. GUTA
Colonel, AC
Director

Army Contracting Agency – Southern Region
Principal Assistant Responsible for Contracting



ACQUISITION,
TECHNOLOGY
AND LOGISTICS

OFFICE OF THE UNDER SECRETARY OF DEFENSE

3000 DEFENSE PENTAGON
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1 2 DEC 2002

DPAP/P

MEMORANDUM FOR DIRECTORS, DEFENSE AGENCIES

ACTING DEPUTY ASSISTANT SECRETARY OF THE ARMY
(POLICY & PROCUREMENT), ASA(AL&T)
DEPUTY FOR ACQUISITION AND BUSINESS
MANAGEMENT, ASN(RD&A)/ABM
DEPUTY ASSISTANT SECRETARY OF THE AIR FORCE
(CONTRACTING), SAF/AQC
EXECUTIVE DIRECTOR LOGISTICS POLICY AND
ACQUISITION MANAGEMENT (DLA)

SUBJECT: Contractor Costs – Donation of Employee Unused Leave

On February 11, 2002, I issued guidance permitting employee donations of unused vacation and personal leave made before January 1, 2003, to charitable organizations under a contractor sponsored plan to be treated as an allowable compensation cost under Federal Acquisition Regulation (FAR) 31.205-6, "Compensation for Personal Services," rather than an unallowable contribution under FAR 31.205-8, "Contributions or Donations." This guidance complemented Internal Revenue Service (IRS) Notice 2001-69, issued on November 13, 2001, which facilitated such donations after the September 11, 2001, terrorism attacks. It clarified that employee donations of leave made prior to January 1, 2003, would not constitute taxable income for the employee, and that the IRS would permit employers to treat these donations as either ordinary and necessary business expenses or charitable contributions.

In my memorandum, I indicated that we would revisit this issue when the IRS announced how it will treat employee donations of leave made after December 31, 2002. The IRS recently advised us that it will not extend Notice 2001-69 and that its original assignment of income rules will reassert beginning on January 1, 2003. Accordingly, I will not extend my guidance and therefore, it will expire on December 31, 2002.

Please disseminate this guidance to all appropriate organizations. My point of contact is Mr. Christopher Werner at (703) 695-9764 or e-mail: christopher.werner@osd.mil.

Deidre A. Lee
Director, Defense Procurement
& Acquisition Policy

cc: DAU, Ft. Belvoir

